



News @ ARMS

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ARMS Revenue - Enhancing Facilities for Iowa Army Ammunition Plant Employees

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IAAAP receiving warehouse workers are among many employees who have benefited from "quality of life" enhancements made possible by ARMS revenue.



Holston — Growing Again

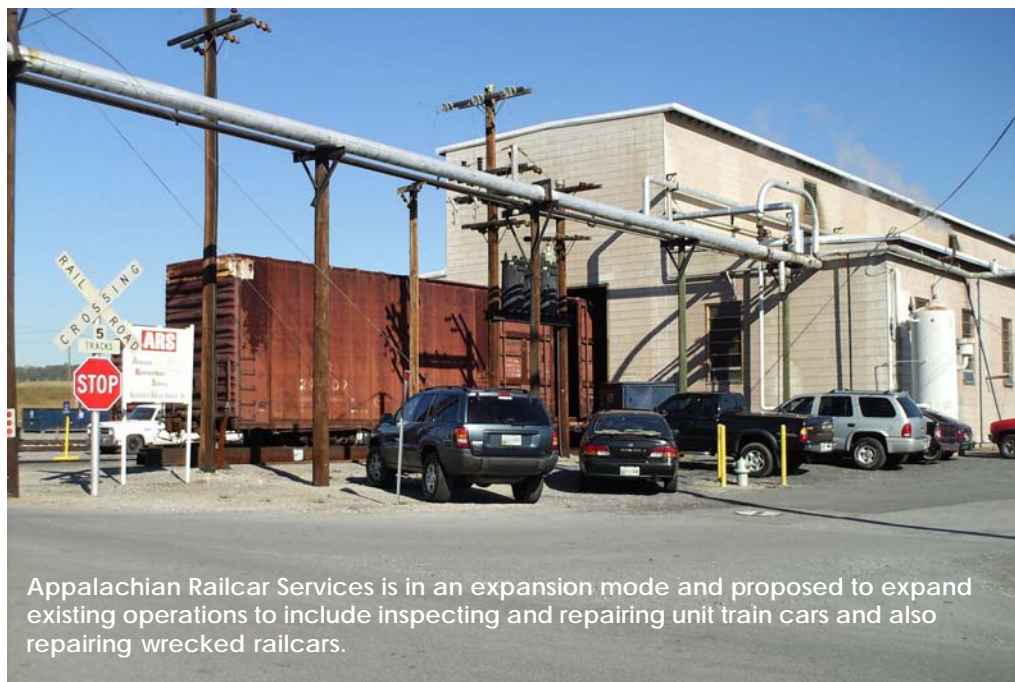
During the period of July through September, 2007, the Holston Business and Technology Park added two new tenants and received approval to expand an existing tenant. These additions and expansions will generate increased revenue to the facility and ultimately help to reduce product costs. These revenues will be used to fund work that would otherwise have to be separately funded. With the scarcity of defense dollars; the ability to self-fund a portion of or all of base operations is extremely meaningful and bears a direct relationship to lowering product costs. Aside from the generation of revenue, the addition of the tenants helps preserve and maintain critical skills while also creating new jobs.

At Holston, all revenues generated from the Armament Retooling & Manufacturing Support (ARMS) Program approved activities goes to the “facility bank.” The facility bank revenues are used to offset/reduce the amount of funds required for plant operations or can be used to perform projects that the Army would otherwise have to fund separately, or not at all.

“We are proud of what Holston has accomplished both in terms of revenue generated, skills preserved and new jobs created for the community. We continue to seek new opportunities and new tenant prospects to further improve results already achieved” states Tony Hewitt, Commercial Development Director BAE Systems, Ordnance System Inc., operating contractor at Holston.

Accurate Energetics
contracts for additional
storage space at
Holston AAP.

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Appalachian Railcar Services is in an expansion mode and proposed to expand existing operations to include inspecting and repairing unit train cars and also repairing wrecked railcars.

New Tenant Briefs

Appalachian Railcar Services – Already a tenant at Holston Army Ammunition Plant (AAP) providing rail management, switching, railcar repair and railcar storage at the Holston plant, Appalachian Railcar Services is in an expansion mode and proposed to expand existing operations to include inspecting and repairing unit train cars and also repairing wrecked railcars. ARMS approval was obtained to modify a small section of the classification yard to allow working space to remove residual coal from hopper cars, make repairs and quickly return the cars to service.

Similarly, separate space was needed to repair wrecked rail cars. ARMS approval was received to extend rail lines and add two covered work pads which will allow wreck repairs to be made without slowing other repair work already being conducted at the facility.

“We have only been at Holston for a short period of time, but have already found it to be a location that is blessed with superb facilities, progressive management and a place well suited to our growth plans,” says Larry Lucas, Site Manager for Appalachian Railcar Services. “With BAE/OSI and the Army as our virtual partners, we strongly believe the sky is the limit.”



Holston — Cont.

Accurate Energetics LLC - Located approximately 50 miles west of Nashville in McEwen, TN, Accurate Energetics required more storage space to support continued growth and found just what was needed at Holston – explosive storage space and a trained skilled workforce capable of safely handling these products. Accurate Energetics rents available magazine storage space and BAE/OSI safeguards and maintains the inventory while also providing all material handling required on both an outbound and inbound basis.

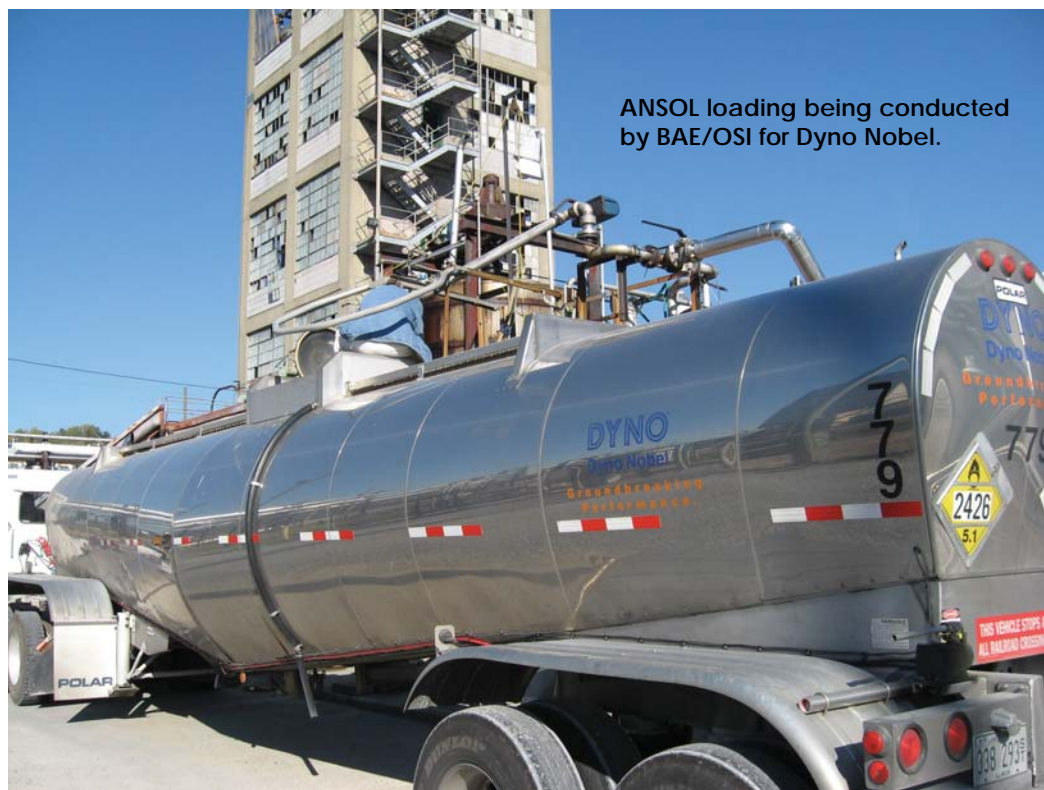
“We are extremely fortunate to have found the space at Holston AAP and the material handling service provided by BAE/OSI,” says John Soday, Chief Manager and Owner of Accurate Energetics LLC.

“We are pleased to welcome Accurate to Holston,” says Tony Hewitt, Commercial Development Director for BAE/OSI. “We have supplied materials to Accurate in the past, but their presence at the site allows greater flexibility for both companies.”

Dyno Nobel Inc. – Already a tenant at Holston AAP for use of magazine space, Dyno Nobel recently agreed to terms to expand operations at the site. ARMS approval was received to modify existing tankage and add and modify pumping facilities to create a transfer station for ANSOL allowing transfer from rail tank cars to truck tankers for shipment to manufacturing sites.

BAE/OSI personnel perform all transfer operations for Dyno Nobel in exchange for a handling fee. ANSOL is a by-product of the explosive manufacturing at Holston and the modified facility simplifies the process of transferring this product to Dyno Nobel who can use the otherwise waste material in commercial explosives.

“This facility creates a ‘win/win’ scenario for both companies, lowering the cost of operations for both while also creating new business opportunity for both,” says Eric Fugate, Manager, Acids Division for BAE/OSI at Holston who conceived the concept, designed the facility and managed the facility modifications. “This addition is the first phase of a planned further expansion of Dyno Nobel operations at the site.”

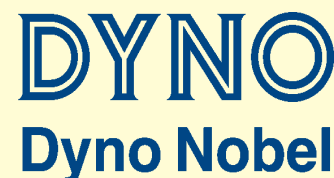


ANSOL loading being conducted by BAE/OSI for Dyno Nobel.

A Closer Look at Holston's New Tenants



Accurate Energetics Systems (AES) is a manufacturer of various high explosive compositions and specialty products for the U.S. Department of Defense and U.S. industrial markets. These include products for aerospace, military, oil exploration, commercial blasting and precision demolition applications.



Dyno Nobel is a public listed company on the Australian Stock Exchange with annual revenues over \$1 billion. Dyno Nobel is a global leader in the commercial and explosives industry with over 3,500 employees. They provide blasting solutions and quality explosives products throughout North America and Australia as well as to selected customers internationally.



Located in Eleanor, West Virginia, **Appalachian Railcar Services (ARS)** provides rail car maintenance and repair; short line railroad operations; coal loading and unloading services; fleet management services and brokerage services. Aside from several West Virginia locations, they also have operations in Florida, New York, Indiana and Kentucky.

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In today's competitive market where does a company find the resources to upgrade their business? This is a balancing act in industry today – how to keep cost and prices down while continuing to grow and improve facilities.

One way to do this is through the use of tenant revenue generated by the Armament Retooling & Manufacturing Support (ARMS) Program. These revenues are used at the Iowa Army Ammunition Plant (IAAAP) by the Operating Contractor, American Ordnance LLC (AO), to complete ammunition production and Plant infrastructure upgrade projects.

Tenant revenue can be used by a wide range of projects that are recommended by AO, the local Army staff, and approved by the Joint Munitions Command. The number and type of projects varies from year-to-year based on the amount of revenue projected for the year and the agreed to project list. At the IAAAP, revenue is used for projects that fall into two categories. The first category is, "quality of life" projects. These projects improve Load, Assemble, and Pack (LAP) production facilities and buildings for employees. The second category is infrastructure upgrade projects which improve the Plant's infrastructure including roads, buildings, general safety, and security.

Some of the quality of life projects recently completed on various production lines include installation of air conditioning, remodel of selected line offices, conference areas, break areas, rest rooms, and upgraded production line lighting. Infrastructure projects have included general road repair, parking lot resurfacing, re-roofing of selected buildings, purchase of additional railcars for in-Plant use, new security lighting, and guard post weather protection canopies.

"ARMS revenue allows AO to more quickly complete planned ammunition production and infrastructure initiatives to meet future Army requirements. This improves our flexibility and capability to fulfill customer requirements and produce quality ammunition for soldiers," said Tom Rudy the Chief Operating Officer for American Ordnance when discussing ARMS revenue benefits at the IAAAP.

For more information about the ARMS Program at Iowa visit CommerceCenterSEIowa.com or call Doug Hanify at (319) 753-7195, Email: ghanify@aollc.biz.



Overview of Commerce Center of Southeast Iowa located at IAAAP

Amenities & Infrastructure

- Development Sites
- Full Time Security & Fire Protection
- Engineering Services
- Test Facilities
- Chemistry & Metrology Laboratories
- Industrial X-ray
- Electricity Supplied by Alliant Energy
- Rail Access On Site

Incentives:

- ARMS Incentive Funds - Building Modifications, Equipment Upgrades, Feasibility Studies, etc.
- State Incentives and Grants

Quality of life projects such as road repair and parking lot resurfacing were recently completed.



New truck dock on IAAAP receiving warehouse.



New sprayed on roof for IAAAP maintenance building.